

**REPORT OF THE AUDIT OF THE
MCLEAN COUNTY
FISCAL COURT**

**For The Fiscal Year Ended
June 30, 2002**



EDWARD B. HATCHETT, JR.
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EXECUTIVE SUMMARY

AUDIT EXAMINATION OF THE MCLEAN COUNTY FISCAL COURT

**For The Fiscal Year Ended
June 30, 2002**

The Auditor of Public Accounts has completed the McLean County Fiscal Court audit for fiscal year ended June 30, 2002. We have issued an unqualified opinion on the financial statements taken as a whole. Based upon the audit work performed, the financial statements are presented fairly in all material respects.

Financial Condition:

Cash balances decreased by \$2,096,593 from the beginning of the year, resulting in a cash surplus of \$1,293,057 as of June 30, 2002.

Debt Obligations:

Total bonded debt principal as of June 30, 2002, was \$3,550,000. Future collections of \$6,178,328 are needed over the next 26 years to pay all bonded debt principal and interest.

Capital lease principal agreements totaled \$2,037,940 as of June 30, 2002. Future principal and interest payments of \$2,870,153 are needed to meet these obligations.

Deposits:

The fiscal court's deposits were under insured or under collateralized by \$16,667 as of June 30, 2002.

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EDWARD B. HATCHETT, JR.
AUDITOR OF PUBLIC ACCOUNTS

To the People of Kentucky

Honorable Paul E. Patton, Governor

Gordon C. Duke, Secretary

Finance and Administration Cabinet

Dana Mayton, Secretary, Revenue Cabinet

Honorable Larry B. Whitaker, McLean County Judge/Executive

Members of the McLean County Fiscal Court

Independent Auditor's Report

We have audited the accompanying statement of assets, liabilities, and equity balances arising from cash transactions of McLean County, Kentucky, as of June 30, 2002, and the statement of cash receipts, cash disbursements, and changes in cash balances for the year then ended. These financial statements are the responsibility of the McLean County Fiscal Court. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, and the Audit Guide for Fiscal Court Audits issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1, McLean County, Kentucky, prepares its financial statements on a prescribed basis of accounting that demonstrates compliance with the modified cash basis and laws of Kentucky, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the assets, liabilities, and equity balances of McLean County, Kentucky as of June 30, 2002, and its receipts and disbursements for the year then ended, in conformity with the modified cash basis of accounting.



To the People of Kentucky
Honorable Paul E. Patton, Governor
Gordon C. Duke, Secretary
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Dana Mayton, Secretary, Revenue Cabinet
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In accordance with Government Auditing Standards, we have also issued our report dated July 10, 2003 on our consideration of McLean County, Kentucky's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

The accompanying financial information listed as supporting schedules in the table of contents is presented for purposes of additional analysis and is not a required part of the financial statements of McLean County, Kentucky. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments and Non-Profit Organizations, and is not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

Respectfully submitted,



Edward B. Hatchett, Jr.
Auditor of Public Accounts

Audit fieldwork completed -
July 10, 2003

MCLEAN COUNTY OFFICIALS

For The Fiscal Year Ended June 30, 2002

Fiscal Court Members:

Larry B. Whitaker	County Judge/Executive
Robert Jennings	Magistrate
Bobby Johnson	Magistrate
Jessie Abney	Magistrate
Brent Hayden	Magistrate

Other Elected Officials:

William Quisenberry, Jr.	County Attorney
Mary Earlene Abney	Jailer
Linda R. Johnson	County Clerk
Stephanie King	Circuit Court Clerk
Judy Stratton	Sheriff
Shelia Fulkerson	Property Valuation Administrator
Mike Muster	Coroner

Appointed Personnel:

Sherry Boyken	County Treasurer
Betty Ray	Finance Officer

STATEMENT OF ASSETS, LIABILITIES,
AND EQUITY ARISING FROM CASH TRANSACTIONS

MCLEAN COUNTY
STATEMENT OF ASSETS, LIABILITIES,
AND EQUITY ARISING FROM CASH TRANSACTIONS

June 30, 2002

	<u>Governmental Fund Type</u>				Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>Debt Service</u>	
<u>Assets and Other Resources</u>					
<u>Assets</u>					
Cash and Cash Equivalents	\$ 964,189	\$ 228,942	\$ 100,323	\$ 173	\$ 1,293,627
Total Assets	\$ 964,189	\$ 228,942	\$ 100,323	\$ 173	\$ 1,293,627
<u>Other Resources</u>					
Amounts to Be Provided In Future Years for:					
Capital Lease Payments	\$ 1,053,950	\$ 983,990	\$	\$	\$ 2,037,940
Bond Payments				3,550,000	3,550,000
Total Other Resources	\$ 1,053,950	\$ 983,990	\$ 0	\$ 3,550,000	\$ 5,587,940
Total Assets and Other Resources	<u>\$ 2,018,139</u>	<u>\$ 1,212,932</u>	<u>\$ 100,323</u>	<u>\$ 3,550,173</u>	<u>\$ 6,881,567</u>

MCLEAN COUNTY

The accompanying notes are an integral part of the financial statements.

STATEMENT OF ASSETS, LIABILITIES,
AND EQUITY ARISING FROM CASH TRANSACTIONS
June 30, 2002
(Continued)

	Governmental Fund Type				Totals (Memorandum Only)
	General	Special Revenue	Capital Projects	Debt Service	
<u>Liabilities and Equity</u>					
<u>Liabilities</u>					
Capital Lease Payments (Note 6)	\$ 1,053,950	\$ 983,990	\$	\$	\$ 2,037,940
Bonds Not Matured:					
Series 2001 A (Note 5)				3,550,000	3,550,000
Total Liabilities	\$ 1,053,950	\$ 983,990	\$ 0	\$ 3,550,000	\$ 5,587,940
<u>Equity</u>					
Fund Balances:					
Reserved	\$	\$ 59,284	\$	\$	\$ 59,284
Unreserved	964,189	169,658	100,323	173	1,234,343
Total Equity	\$ 964,189	\$ 228,942	\$ 100,323	\$ 173	\$ 1,293,627
Total Liabilities and Equity	\$ 2,018,139	\$ 1,212,932	\$ 100,323	\$ 3,550,173	\$ 6,881,567

The accompanying notes are an integral part of the financial statements.

STATEMENT OF CASH RECEIPTS,
CASH DISBURSEMENTS, AND CHANGES IN CASH BALANCES

MCLEAN COUNTY
STATEMENT OF CASH RECEIPTS,
CASH DISBURSEMENTS, AND CHANGES IN CASH BALANCES

For The Fiscal Year Ended June 30, 2002

	General Fund Types			
	Totals (Memorandum Only)	General Fund	Road and Bridge Fund	Jail Fund
<u>Cash Receipts</u>				
Schedule of Operating Revenue	\$ 4,404,503	\$ 1,438,779	\$ 950,363	\$ 39,980
Interest	6,613	6,613		
Other Financing Sources:				
Transfers In	810,906	203,413		162,100
Borrowed Money	1,535,200	1,385,200		
Kentucky Advance Revenue Program	552,700	545,300	7,400	
Total Cash Receipts	<u>\$ 7,309,922</u>	<u>\$ 3,579,305</u>	<u>\$ 957,763</u>	<u>\$ 202,080</u>
<u>Cash Disbursements</u>				
Comparative Schedule of Final Budget and Budgeted Expenditures	\$ 3,882,041	\$ 1,198,315	\$ 743,852	\$ 198,151
Construction Costs	3,006,889	172,913		
Transaction Fees	11,601	9,612		
Loss on Investment Transactions	63,395			
Other Financing Uses:				
Transfers Out	810,906	430,600	82,410	
Bonds:				
Interest Paid	166,850			
Borrowed Money Repaid	912,132	773,949	13,398	
Kentucky Advance Revenue Program Repaid	552,700	545,300	7,400	
Total Cash Disbursements	<u>\$ 9,406,514</u>	<u>\$ 3,130,689</u>	<u>\$ 847,060</u>	<u>\$ 198,151</u>
Excess (Deficiency) of Cash Receipts Over (Under) Cash Disbursements	\$ (2,096,592)	\$ 448,616	\$ 110,703	\$ 3,929
Cash Balance - July 1, 2001	<u>3,389,649</u>	<u>40,411</u>	<u>41,129</u>	<u>1,299</u>
Cash Balance - June 30, 2002	<u>\$ 1,293,057</u>	<u>\$ 489,027</u>	<u>\$ 151,832</u>	<u>\$ 5,228</u>

The accompanying notes are an integral part of the financial statements.

MCLEAN COUNTY
STATEMENT OF CASH RECEIPTS,
CASH DISBURSEMENTS, AND CHANGES IN CASH BALANCES
For The Fiscal Year Ended June 30, 2002
(Continued)

General Fund Types	Special Revenue Fund Types				
Local Government Economic Assistance Fund	Ambulance Fund	Community Development Block Grant Revolving Loan Fund	Health and Human Services Fund	Adult Education Fund	Workforce Investment Act Fund
\$ 533,294	\$ 326,391	\$ 289,487	\$ 42,344	\$ 57,877	\$ 12,608
	158,000		145,000		
<u>\$ 533,294</u>	<u>\$ 484,391</u>	<u>\$ 289,487</u>	<u>\$ 187,344</u>	<u>\$ 57,877</u>	<u>\$ 12,608</u>
\$ 57,027	\$ 468,242	\$ 300,131	\$ 157,725	\$ 53,491	\$ 9,028
129,000		7,000	87,511		9,863
58,261		19,124			
<u>\$ 244,288</u>	<u>\$ 468,242</u>	<u>\$ 326,255</u>	<u>\$ 245,236</u>	<u>\$ 53,491</u>	<u>\$ 18,891</u>
\$ 289,006	\$ 16,149	\$ (36,768)	\$ (57,892)	\$ 4,386	\$ (6,283)
28,526	1,477	79,380	57,892	12,286	6,283
<u>\$ 317,532</u>	<u>\$ 17,626</u>	<u>\$ 42,612</u>	<u>\$ 0</u>	<u>\$ 16,672</u>	<u>\$ 0</u>

The accompanying notes are an integral part of the financial statements.

MCLEAN COUNTY
 STATEMENT OF CASH RECEIPTS,
 CASH DISBURSEMENTS, AND CHANGES IN CASH BALANCES
 For The Fiscal Year Ended June 30, 2002
 (Continued)

	Special Revenue Fund Types			
	911 Fund	Fire Department Fund	Senior Citizens Fund	Welfare To Work Fund
<u>Cash Receipts</u>				
Schedule of Operating Revenue	\$ 165,750	\$ 330,226	\$ 29,454	\$ 5,598
Interest				
Other Financing Sources:				
Transfers In		71,000	30,500	
Borrowed Money		150,000		
Kentucky Advance Revenue Program				
Total Cash Receipts	<u>\$ 165,750</u>	<u>\$ 551,226</u>	<u>\$ 59,954</u>	<u>\$ 5,598</u>
<u>Cash Disbursements</u>				
Comparative Schedule of Final Budget and Budgeted Expenditures	\$ 147,584	\$ 488,166	\$ 60,329	\$
Construction Costs				
Transaction Fees				
Loss on Investment Transactions				
Other Financing Uses:				
Transfers Out	10,000			7,744
Bonds:				
Interest Paid				
Borrowed Money Repaid	31,400	16,000		
Kentucky Advance Revenue Program Repaid				
Total Cash Disbursements	<u>\$ 188,984</u>	<u>\$ 504,166</u>	<u>\$ 60,329</u>	<u>\$ 7,744</u>
Excess (Deficiency) of Cash Receipts Over (Under) Cash Disbursements	\$ (23,234)	\$ 47,060	\$ (375)	\$ (2,146)
Cash Balance - July 1, 2001	<u>48,545</u>	<u>79,297</u>	<u>739</u>	<u>2,146</u>
Cash Balance - June 30, 2002	<u><u>\$ 25,311</u></u>	<u><u>\$ 126,357</u></u>	<u><u>\$ 364</u></u>	<u><u>\$ 0</u></u>

The accompanying notes are an integral part of the financial statements.

MCLEAN COUNTY
STATEMENT OF CASH RECEIPTS,
CASH DISBURSEMENTS, AND CHANGES IN CASH BALANCES
For The Fiscal Year Ended June 30, 2002
(Continued)

Capital Projects Fund Type	Debt Service Fund Type
Justice Center Corporation Capital Projects Fund	Justice Center Corporation Debt Service Fund
\$ 181,133	\$ 1,219
	40,893
<u>\$ 181,133</u>	<u>\$ 42,112</u>
\$ 2,833,976	\$
1,804	185
63,395	
46,778	
	166,850
<u>\$ 2,945,953</u>	<u>\$ 167,035</u>
\$ (2,764,820)	\$ (124,923)
<u>2,865,143</u>	<u>125,096</u>
<u>\$ 100,323</u>	<u>\$ 173</u>

The accompanying notes are an integral part of the financial statements.

MCLEAN COUNTY
NOTES TO FINANCIAL STATEMENTS

June 30, 2002

Note 1. Summary of Significant Accounting Policies

A. Reporting Entity

The financial statements of McLean County include the funds, agencies, boards, and entities for which the fiscal court is financially accountable. Financial accountability, as defined by Section 2100 of the GASB Codification of Governmental Accounting and Financial Reporting Standards, as amended by GASB 14, was determined on the basis of the government's ability to significantly influence operations, select the governing authority, participate in fiscal management and the scope of public service. Based upon the criteria stated in GASB 14, management has included the McLean County Justice Center Corporation as part of the reporting entity.

The fiscal court has financial accountability for the McLean County Justice Center Corporation because the fiscal court is the governing body and can impose its will on the component unit based on the criteria stated in GASB 14. The financial information of the McLean County Justice Center Corporation is blended with the reporting entity and is reported in the Debt Service and Capital Projects Funds.

Additional - McLean County Constitutional Elected Officials

- Circuit Court Clerk
- County Attorney
- County Clerk
- County Sheriff
- Property Valuation Administrator

The Kentucky constitution provides for election of the above officials from the geographic area constituting McLean County. Pursuant to state statute, these officials perform various services for the Commonwealth of Kentucky, its judicial courts, the fiscal court, various cities and special districts within the county, and the board of education. In exercising these responsibilities, however, they are required to comply with state laws. Audits of their financial statements are issued separately and individually and can be obtained from their respective administrative offices.

B. Fund Accounting

Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities. The government uses funds to report on its financial position and the results of its operations. A fund is a separate accounting entity with a self-balancing set of accounts. McLean County Fiscal Court's fund types, a definition of each, and county funds included within each fund type are listed below.

1) General Fund Type

General Fund Type accounts for all financial resources except those required to be accounted for in another fund type. The McLean County General Fund Type includes the following county funds: General Fund, Road and Bridge Fund, Jail Fund, and Local Government Economic Assistance Fund.

MCLEAN COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2002
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

B. Fund Accounting (Continued)

2) Special Revenue Fund Type

Special Revenue Fund Type accounts for the proceeds of specific revenue sources that are legally restricted to expenditures for the specified purpose. The McLean County Special Revenue Fund Type includes the following county funds: Ambulance Fund, Community Development Block Grant Revolving Loan Fund, Health and Human Services Fund, Adult Education Fund, Workforce Investment Act Fund, 911 Fund, Fire Department Fund, Senior Citizens Fund and Welfare to Work Fund.

3) Debt Service Fund Type

Debt Service Fund Type accounts for the accumulation of resources for the payment of general long-term debt principal and interest and includes the McLean County Justice Center Corporation Debt Service Fund.

4) Capital Projects Fund Type

Capital Projects Fund Type accounts for financial resources to be used for acquisition of major capital facilities. The McLean County Justice Center Corporation Capital Projects Fund is reported as a Capital Projects Fund Type.

C. Basis of Accounting

For all fund types, the county utilizes a modified cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Under this basis of accounting, assets, liabilities, and related revenues and expenditures are recorded when they result from cash transactions, with a few exceptions. This modified cash basis recognizes revenues when received and expenditures when paid. Long-term receivables, long-term obligations and amounts to be provided in future years to retire debt are recorded in the financial statements. The amount to be provided in future years to retire debt is offset by any cash or cash equivalents held by the county in a bond or debt service fund.

The State Local Finance Officer does not require the county to maintain a general fixed assets group of accounts; therefore the value of the county's fixed assets is not included in the financial statements. These fixed assets include buildings, equipment, land, and infrastructure that are owned by the county.

D. Legal Compliance - Budget

The McLean County budget is adopted on a cash basis of accounting and according to the laws of Kentucky as required by the State Local Finance Officer. The County Judge/Executive is required to submit estimated receipts and proposed expenditures to the fiscal court by May 1 of each year. The budget is prepared by fund, function, and activity and is required to be adopted by the fiscal court by July 1.

MCLEAN COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2002
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

D. Legal Compliance - Budget (Continued)

The fiscal court may change the original budget by transferring appropriations at the activity level; however, the fiscal court may not increase the total budget without approval by the State Local Finance Officer. Expenditures may not exceed budgeted appropriations at the activity level.

Formal budgets are not adopted for the McLean County Justice Center Corporation Capital Projects Fund and the McLean County Justice Center Corporation Debt Service Fund because bond indentures and other relevant contractual provisions require specific payments to and from these funds annually. The Department for Local Government does not require these funds to be budgeted.

E. Cash and Investments

Cash includes amounts in bank accounts, and investments are stated at cost.

KRS 66.480 authorizes the county to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

F. Joint Venture

A legal entity or other organization that results from a contractual agreement and that is owned, operated, or governed by two or more participants as a separate activity subject to joint control, in which the participants retain (a) an ongoing financial interest or (b) an ongoing financial responsibility is a joint venture. The McLean County Planning and Zoning Commission is a joint venture of the McLean County Fiscal Court and the cities of McLean County. Costs of the commission are shared on a pro-rata basis.

Note 2. Employee Retirement System

The county has elected to participate in the County Employees Retirement System (CERS), pursuant to KRS 78.530 administered by the Board of Trustees of the Kentucky Retirement Systems. This is a multiple-employer public retirement system, which covers all eligible full-time employees. Benefit contributions and provisions are established by statute. Nonhazardous covered employees are required to contribute 5 percent of their salary to the plan. The county's contribution rate for nonhazardous employees was 6.41 percent.

Benefits fully vest on reaching five years of service for nonhazardous employees. Aspects of benefits for nonhazardous employees include retirement after 27 years of service or age 65.

Historical trend information showing the CERS' progress in accumulating sufficient assets to pay benefits when due is presented in the Kentucky Retirement Systems' annual financial report.

MCLEAN COUNTY
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2002
 (Continued)

Note 3. Deposits

The county maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC). According to KRS 66.480(1)(d) and KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the county and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution. The county entered into a written agreement with the depository institution and met requirements (a), (b), and (c) stated above. However, as of June 30, 2002, the collateral and FDIC insurance together did not equal or exceed the amount on deposit, leaving \$16,668 of public funds uninsured and unsecured.

The county's deposits are categorized below to give an indication of the level of risk assumed by the county as of June 30, 2002.

	<u>Bank Balance</u>
FDIC Insured	\$ 102,630
Collateralized with securities held by pledging depository institution in the county's name	1,179,321
Uncollateralized and uninsured	<u>16,667</u>
Total	<u>\$ 1,298,618</u>

Note 4. Receivable

McLean County, Kentucky (landlord) had previously entered into a lease agreement with the McLean County Industrial Foundation, Inc. for land and properties that were owned by the county. On June 14, 1999, the McLean County, Kentucky (landlord) and McLean County Industrial Foundation, Inc as the lessee assigned the lease to Meridian Aluminum Products, Inc. subject to the mortgage at First Security Bank. The McLean County Industrial Foundation, Inc borrowed \$736,000 from First Security Bank, June 17, 1999 to build a building and improve the property.

The lease agreement required Meridian Aluminum Products, Inc. to pay to the McLean County Foundation, Inc. as rent \$736,000, due and payable in a series of 180 equal consecutive monthly payments of \$7,268, with the first installment being due on the 14th day of December 1999 and the final installment due May 14, 2015. These payments were made directly to First Security Bank and they would then pay McLean County (landlord) part of the rental payments. The county received \$3,672 for the fiscal year ending June 30, 2002.

Meridian Aluminum Products, Inc. sought bankruptcy and was sold to Smelter Service Corporation October 18, 2001. As part of the sale agreement, the loan to First Security Bank (\$736,000) was paid off November 9, 2001.

MCLEAN COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2002
(Continued)

Note 4. Receivable (Continued)

The fiscal court received a bankruptcy judgment payment of \$48,893 on June 25, 2003 that was filed against the original owner, MESPAR. This judgment satisfied and included the county's interest in those real property assets, which had been assumed by Meridian Aluminum Products, Inc. under the terms of the lease with the county. Furthermore, the county received \$2,449 in rental payments until the site was sold to Smelter Service Corporation.

The county also received \$1,146 from Smelter Service Corporation in December 2001 for the in-lieu of tax payment (which had been the responsibility of Meridian Aluminum Products, Inc.) toward the 2001 tax year. Smelter Service Corporation purchased the property and all real property was placed on the tax role for the 2002 tax year.

Note 5. McLean County, Kentucky Justice Center Corporation Bonds

The McLean County, Kentucky Justice Center Corporation entered into a bond issue, McLean County, Kentucky Justice Center Corporation First Mortgage Revenue Bonds (Courthouse Annex Project), Series 2001A on March 2, 2001, for the purpose of financing the costs of construction of the expansion of the McLean County Court facilities and to pay the costs of issuance of the bonds. The issue amount of the bonds was \$3,550,000.

The McLean County, Kentucky Justice Center Corporation and the McLean County Fiscal Court entered into a lease agreement with the Commonwealth of Kentucky, Administrative Office of the Courts (AOC), in which the AOC will lease from the corporation the courts facility. The lease is renewable July 1 for a period of two years. Rental payments are due semiannually on March 1 and September 1, of each year. The interest rate on the bonds is 4.0% to 5.0%. The outstanding principal balance as of June 30, 2002 was \$3,550,000. Future debt requirements are as follows:

<u>Fiscal Years Due</u>	<u>Principal</u>	<u>Interest</u>
2003	\$ 80,000	\$ 166,850
2004	85,000	163,650
2005	90,000	160,250
2006	90,000	156,650
2007	95,000	153,050
2007-2012	545,000	702,483
2012-2017	670,000	571,050
2017-2022	845,000	392,845
2022-2027	<u>1,050,000</u>	<u>161,500</u>
Totals	<u>\$ 3,550,000</u>	<u>\$ 2,628,328</u>

MCLEAN COUNTY
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2002
 (Continued)

Note 6. Capital Leases

General Obligation Improvement Notes - Series 2001

On July 23, 2001, the McLean County Fiscal Court issued \$340,000 of Series 2001 General Obligation Improvements Notes for the purpose of funding improvements throughout the County, including new sewer and water lines, a career center project and a health department project. The interest rate is 4.50%, with semi-annual interest payments due on the 1st of January and July. The notes will mature on July 1, 2003. The principal balance as of June 30, 2002 was \$340,000. Future debt service requirements of the General Fund are as follows:

<u>Fiscal Years Due</u>	<u>Principal</u>	<u>Interest</u>
2003	\$	\$ 16,800
2004	340,000	8,400
Totals	<u>\$ 340,000</u>	<u>\$ 25,200</u>

Battle of Sacramento - Grant Anticipation

On March 29, 2002, the McLean County Fiscal Court borrowed \$360,000 from Kentucky Association of Counties Leasing Trust for the acquisition of land and construction of a museum. The interest rate is variable, with payments due monthly for 20 years. The principal balance at June 30, 2002 was \$357,863. Future debt service requirements of the General Fund are as follows:

<u>Fiscal Years Due</u>	<u>Principal</u>	<u>Interest</u>
2003	\$ 13,066	\$ 13,835
2004	13,497	13,314
2005	13,942	12,775
2006	14,402	12,219
2007	14,877	11,644
2007-2012	82,078	48,914
2012-2017	96,539	31,421
2017-2022	109,462	10,851
Totals	<u>\$ 357,863</u>	<u>\$ 154,973</u>

MCLEAN COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2002
(Continued)

Note 6. Capital Leases (Continued)

Series 2001 Renovation

On December 3, 2001, the McLean County Fiscal Court borrowed \$295,000 from Kentucky Area Development District Financing Trust in order to pay off an existing KADD lease and to complete the renovations of the McLean County Courthouse. The interest rate is variable, with semi-annual interest payments due on the 20th of April and October for 25 years. The principal balance at June 30, 2002 was \$295,000. Future debt service requirements of the General Fund are as follows:

<u>Fiscal Years Due</u>	<u>Principal</u>	<u>Interest</u>
2003	\$ 5,000	\$ 16,633
2004	5,000	16,416
2005	5,000	16,193
2006	5,000	15,967
2007	5,000	15,743
2007-2012	45,000	73,147
2012-2017	50,000	59,800
2017-2022	70,000	43,480
2022-2027	85,000	21,410
2027-2028	20,000	810
Totals	<u>\$ 295,000</u>	<u>\$ 279,599</u>

Grader

On July 14, 1999, the McLean County Fiscal Court borrowed \$98,826 from Kentucky Association of Counties Leasing Trust for the purchase of a grader. The interest rate is variable, with payments due monthly. The principal balance at June 30, 2002 was \$61,087. Future debt service requirements of the Road and Bridge Fund are as follows:

<u>Fiscal Years Due</u>	<u>Principal</u>	<u>Interest</u>
2003	\$ 14,010	\$ 2,256
2004	14,649	1,601
2005	15,317	1,008
2006	16,016	389
2007	1,095	4
Totals	<u>\$ 61,087</u>	<u>\$ 5,258</u>

MCLEAN COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2002
(Continued)

Note 6. Capital Leases (Continued)

Highway 136 Sewer Project

On September 19, 2000, the McLean County Fiscal Court borrowed \$72,000 from Green River Area Development District (GRADD) for the Highway 136 Sewer Project. The interest rate is 5.50%, with semi-annual payments due on the 1st of May and November. The principal balance at June 30, 2002 was \$58,590. Future debt service requirements of the Community Development Block Grant Revolving Loan Fund are as follows:

<u>Fiscal Years Due</u>	<u>Principal</u>	<u>Interest</u>
2003	\$ 9,726	\$ 3,128
2004	10,119	2,247
2005	10,528	1,854
2006	10,953	1,446
2007	11,395	578
2008	5,869	117
Totals	<u>\$ 58,590</u>	<u>\$ 9,370</u>

Sewer Project

On July 26, 2001, the McLean County Fiscal Court borrowed \$400,000 from Kentucky Association of Counties Leasing Trust for the construction of and improvements to the McLean County sewer system. The interest rate is variable, with payments due monthly. The principal balance at June 30, 2002 was \$390,000. Future debt service requirements of the Community Development Block Grant Revolving Loan Fund are as follows:

<u>Fiscal Years Due</u>	<u>Principal</u>	<u>Interest</u>
2003	\$ 15,000	\$ 20,344
2004	15,000	19,549
2005	15,000	18,754
2006	15,000	17,959
2007	15,000	17,164
2007-2012	90,000	72,763
2012-2017	115,000	45,703
2017-2022	110,000	12,680
Totals	<u>\$ 390,000</u>	<u>\$ 224,916</u>

MCLEAN COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2002
(Continued)

Note 6. Capital Leases (Continued)

Health Department

On May 10, 2001, the McLean County Fiscal Court borrowed \$300,000 from Kentucky Area Development District Leasing Fund (KADD) for improvements to the Health Department. The interest rate is 5.44%, with semi-annual payments due on the 20th of May and November. The principal balance at June 30, 2002 was \$300,000. Future debt service requirements of the Health and Human Fund are as follows:

<u>Fiscal Years Due</u>	<u>Principal</u>	<u>Interest</u>
2003	\$ 25,000	\$ 16,313
2004	25,000	14,937
2005	25,000	13,563
2006	25,000	12,187
2007	30,000	10,675
2007-2012	<u>170,000</u>	<u>27,000</u>
Totals	<u>\$ 300,000</u>	<u>\$ 94,675</u>

911 Equipment

On January 1, 1998, the McLean County Fiscal Court borrowed \$147,000, from Kentucky Area Development District Leasing Fund (KADD) for the purchase of a 911 emergency dispatch system. The interest rate is 5.25%, with semi-annual payments due on the 20th of May and November. The principal balance at June 30, 2002 was \$21,900. Future debt service requirements of the 911 Fund are as follows:

<u>Fiscal Years Due</u>	<u>Principal</u>	<u>Interest</u>
2003	\$ 21,900	\$ 719
Totals	<u>\$ 21,900</u>	<u>\$ 719</u>

Fire Department and Community Center

On November 12, 1998, the McLean County Fiscal Court refinanced and consolidated through Kentucky Area Development District Leasing Fund (KADD) two loans previously held by First Security Bank and Trust of Island, Kentucky. The total amount refinanced for both loans was \$116,000 at an interest rate of 5.10% for 7 years with semi-annual payments due on the 20th of May and November. As of June 30, 2002, the principal balance outstanding was \$63,500. Future debt service requirements of the Fire Department Fund are as follows:

MCLEAN COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2002
(Continued)

Note 6. Capital Leases (Continued)

Fire Department and Community Center (Continued)

<u>Fiscal Years Due</u>	<u>Principal</u>	<u>Interest</u>
2003	\$ 16,900	\$ 3,027
2004	17,800	2,152
2005	18,700	1,234
2006	10,100	258
Totals	<u>\$ 63,500</u>	<u>\$ 6,671</u>

Fire Truck - Eastern Fire District

On June 20, 2002, the McLean County Fiscal Court and Eastern Fire District, a volunteer fire department, entered into a promissory note and loan agreement with the Commission on Fire Protection Personnel Standards and Education in the amount of \$75,000. The interest rate is 3.0%. Principal and interest are due in equal annual installments in the amount of \$7,535. The principal balance as of June 30, 2002 was \$75,000. Future debt service requirements are as follows:

<u>Fiscal Years Due</u>	<u>Principal</u>	<u>Interest</u>
2003	\$ 5,285	\$ 2,250
2004	5,443	2,091
2005	5,606	1,928
2006	5,775	1,760
2007	5,948	1,587
2007-2012	32,526	5,148
2012-2014	14,417	652
Totals	<u>\$ 75,000</u>	<u>\$ 15,416</u>

Fire Truck - Western Fire District

On June 20, 2002, the McLean County Fiscal Court and Western Fire District, a volunteer fire department, entered into a promissory note and loan agreement with the Commission on Fire Protection Personnel Standards and Education in the amount of \$75,000. The interest rate is 3.0%. Principal and interest are due in equal annual installments in the amount of \$7,535. The principal balance as of June 30, 2002 was \$75,000. Future debt service requirements are as follows:

MCLEAN COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2002
(Continued)

Note 6. Capital Leases (Continued)

Fire Truck- Western Fire District (Continued)

<u>Fiscal Years Due</u>	<u>Principal</u>	<u>Interest</u>
2003	\$ 5,285	\$ 2,250
2004	5,443	2,091
2005	5,606	1,928
2006	5,775	1,760
2007	5,948	1,587
2007-2012	32,526	5,148
2012-2014	<u>14,417</u>	<u>652</u>
Totals	<u>\$ 75,000</u>	<u>\$ 15,416</u>

Total principal requirements for capital leases are \$2,037,940.

Note 7. Insurance

For the fiscal year ended June 30, 2002, McLean County was a member of the Kentucky Association of Counties' All Lines Fund (KALF). KALF is a self-insurance fund and was organized to obtain lower cost coverage for general liability, property damage, public officials' errors and omissions, public liability, and other damages. The basic nature of a self-insurance program is that of a collectively shared risk by its members. If losses incurred for covered claims exceed the resources contributed by the members, the members are responsible for payment of the excess losses.

COMPARATIVE SCHEDULE OF
BUDGETED TO ACTUAL OPERATING REVENUE

MCLEAN COUNTY
COMPARATIVE SCHEDULE OF
BUDGETED TO ACTUAL OPERATING REVENUE

For The Fiscal Year Ended June 30, 2002

<u>Budgeted Funds</u>	<u>Budgeted Operating Revenue</u>	<u>Actual Operating Revenue</u>	<u>Over (Under) Budget</u>
<u>General Fund Types</u>			
General Fund	\$ 1,601,286	\$ 1,438,779	\$ (162,507)
Road and Bridge Fund	867,966	950,363	82,397
Jail Fund	199,270	39,980	(159,290)
Local Government Economic Assistance Fund	515,600	533,294	17,694
<u>Special Revenue Fund Types</u>			
Ambulance Fund	480,937	326,391	(154,546)
Community Development Block Grant - Revolving Loan Fund	1,213,920	289,487	(924,433)
Health and Human Services Fund	368,200	42,344	(325,856)
Adult Education Fund	47,978	57,877	9,899
911 Fund	142,500	165,750	23,250
Fire Departments Fund	579,315	330,226	(249,089)
Senior Citizens Fund	65,344	29,454	(35,890)
Welfare to Work Fund	19,425	5,598	(13,827)
Totals	<u>\$ 6,101,741</u>	<u>\$ 4,209,543</u>	<u>\$ (1,892,198)</u>
<u>Reconciliation</u>			
Total Budgeted Operating Revenue Above			\$ 6,101,741
Add: Budgeted Prior Year Surplus			118,800
Less: Other Financing Uses			<u>(435,670)</u>
Total Operating Budget Per Comparative Schedule Of Final Budget and Budgeted Expenditures			<u><u>\$ 5,784,871</u></u>

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SCHEDULE OF OPERATING REVENUE

MCLEAN COUNTY
SCHEDULE OF OPERATING REVENUE

For The Fiscal Year Ended June 30, 2002

Revenue Categories	GOVERNMENTAL FUND TYPE				
	Totals (Memorandum Only)	General Fund Types	Special Revenue Fund Types	Capital Projects Fund Type	Debt Service Fund Type
Taxes	\$ 1,342,277	\$ 1,042,216	\$ 117,709	\$ 181,133	\$ 1,219
In Lieu Tax Payments	4,820		4,820		
Excess Fees	56,786	56,786			
Licenses and Permits	560	560			
Intergovernmental Revenues	1,794,296	1,300,581	493,715		
Charges for Services	908,223	435,693	472,530		
Miscellaneous Revenues	290,066	122,490	167,576		
Interest Earned	7,475	4,090	3,385		
Total Operating Revenue	<u>\$ 4,404,503</u>	<u>\$ 2,962,416</u>	<u>\$ 1,259,735</u>	<u>\$ 181,133</u>	<u>\$ 1,219</u>

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COMPARATIVE SCHEDULE OF
FINAL BUDGET AND BUDGETED EXPENDITURES

MCLEAN COUNTY
COMPARATIVE SCHEDULE OF
FINAL BUDGET AND BUDGETED EXPENDITURES

For The Fiscal Year Ended June 30, 2002

Expenditure Categories	GENERAL FUND TYPES		
	Final Budget	Budgeted Expenditures	Under (Over) Budget
General Government	\$ 581,497	\$ 557,415	\$ 24,082
Protection to Persons and Property	288,629	255,359	33,270
General Health and Sanitation	101,765	52,008	49,757
Social Services	10,795	5,297	5,498
Recreation and Culture	347,277	321,125	26,152
Transportation Facilities and Services	45,528	43,517	2,011
Roads	745,358	573,955	171,403
Debt Service	222,447	18,962	203,485
Capital Projects	103,221	3,813	99,408
Administration	399,459	365,894	33,565
Total Operating Budget - General Fund Types	\$ 2,845,976	\$ 2,197,345	\$ 648,631
Other Financing Uses:			
Capital Lease Agreements - Principal			
Courthouse Repair	255,000	255,000	
Battle of Sacramento	2,134	2,134	
Waterline Extension	58,000	53,661	4,339
Courthouse Renovation		4,600	(4,600)
Grader	12,883	13,398	(515)
Sheriff Vehicles	41,129	41,129	
TOTAL BUDGET - GENERAL FUND TYPES	<u>\$ 3,215,122</u>	<u>\$ 2,567,267</u>	<u>\$ 647,855</u>

MCLEAN COUNTY
 COMPARATIVE SCHEDULE OF
 FINAL BUDGET AND BUDGETED EXPENDITURES
 For The Fiscal Year Ended June 30, 2002
 (Continued)

SPECIAL REVENUE FUND TYPES			
Expenditure Categories	Final Budget	Budgeted Expenditures	Under (Over) Budget
General Government	\$ 67,186	\$ 51,564	\$ 15,622
Protection to Persons and Property	1,337,672	998,611	339,061
General Health and Sanitation	1,280,700	421,410	859,290
Social Services	60,307	56,887	3,420
Debt Service	71,907	42,690	29,217
Administration	121,123	113,534	7,589
Total Operating Budget - Special Revenue Fund Types	\$ 2,938,895	\$ 1,684,696	\$ 1,254,199
Other Financing Uses:			
Capital Lease Agreements - Principal			
Fire Station	16,000	16,000	
911 Equipment	31,400	31,400	
Highway 136 Sewer	9,124	9,124	
Rumsey Sewer	10,000	10,000	
TOTAL BUDGET - SPECIAL REVENUE FUND TYPES	\$ 3,005,419	\$ 1,751,220	\$ 1,254,199

REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER
FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS



EDWARD B. HATCHETT, JR.
AUDITOR OF PUBLIC ACCOUNTS

To the People of Kentucky

Honorable Paul E. Patton, Governor
Gordon C. Duke, Secretary
Finance and Administration Cabinet
Dana Mayton, Secretary, Revenue Cabinet
Honorable Larry B. Whitaker, McLean County Judge/Executive
Members of the McLean County Fiscal Court

**Report On Compliance And On Internal Control
Over Financial Reporting Based On An Audit Of Financial
Statements Performed In Accordance With Government Auditing Standards**

We have audited the financial statements of McLean County, Kentucky, as of and for the year ended June 30, 2002, and have issued our report thereon dated July 10, 2003. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether McLean County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered McLean County's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.



Report On Compliance And On Internal Control
Over Financial Reporting Based On An Audit Of Financial
Statements Performed In Accordance With Government Auditing Standards
(Continued)

This report is intended solely for the information and use of management and the federal awarding agencies and pass-through entities, and is not intended to be, and should not be, used by anyone other than the specified parties.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Ed Hatchett", with a long horizontal flourish extending to the right.

Edward B. Hatchett, Jr.
Auditor of Public Accounts

Audit fieldwork completed -
July 10, 2003

REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL
CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133



EDWARD B. HATCHETT, JR.
AUDITOR OF PUBLIC ACCOUNTS

To the People of Kentucky

Honorable Paul E. Patton, Governor
Gordon C. Duke, Secretary
Finance and Administration Cabinet
Dana Mayton, Secretary, Revenue Cabinet
Honorable Larry B. Whitaker, McLean County Judge/Executive
Members of the McLean County Fiscal Court

**Report On Compliance With Requirements
Applicable To Each Major Program And On Internal Control
Over Compliance In Accordance With OMB Circular A-133**

Compliance

We have audited the compliance of McLean County, Kentucky, with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended June 30, 2002. McLean County's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of McLean County's management. Our responsibility is to express an opinion on McLean County's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about McLean County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of McLean County's compliance with those requirements.

In our opinion, McLean County complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2002.



Report On Compliance With Requirements
Applicable To Each Major Program And On Internal Control
Over Compliance In Accordance With OMB Circular A-133
(Continued)

Internal Control Over Compliance

The management of McLean County is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered McLean County's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts, and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of management, federal awarding agencies, and pass-through entities, and is not intended to be, and should not be, used by anyone other than the specified parties.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Ed Hatchett", with a long horizontal flourish extending to the right.

Edward B. Hatchett, Jr.
Auditor of Public Accounts

Audit fieldwork completed -
July 10, 2003

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

MCLEAN COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For The Fiscal Year Ended June 30, 2002

A. SUMMARY OF AUDITOR'S RESULTS

1. The auditor's report expresses an unqualified opinion on the financial statements of McLean County.
2. No reportable conditions relating to the audit of the financial statements are reported in the Independent Auditor's Report.
3. No instances of noncompliance material to the financial statements of McLean County were disclosed during the audit.
4. No reportable conditions relating to the audit of the major federal awards programs are reported in the Independent Auditor's Report.
5. The auditor's report on compliance for the audit of the major federal awards programs for McLean County expresses an unqualified opinion.
6. There are no audit findings relative to the major federal awards programs for McLean County reported in Part C of this schedule.
7. The program tested as a major program was the Community Development Block Grant- State Administered Small Cities.
8. The threshold for distinguishing Type A and B programs was \$300,000.
9. McLean County was not determined to be a low-risk auditee.

B. FINDINGS - FINANCIAL STATEMENT AUDIT

REPORTABLE CONDITIONS

None.

NONCOMPLIANCES

None.

PRIOR YEAR FINDINGS FINANCIAL STATEMENT AUDIT

None.

C. FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARDS PROGRAM
AUDIT

None.

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SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

MCLEAN COUNTY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For The Fiscal Year Ended June 30, 2002

Federal Grantor Program Title <u>Grant Name (CFDA #)</u>	<u>Pass-Through Grantor's Number</u>	<u>Expenditures</u>
 <u>U.S. Department of Housing and Urban Development</u>		
Passed-Through State Department of Local Government:		
Community Development Block Grants-State Administered Small Cities- Rumsey Sewer (CFDA #14.228)	99-025	\$ 279,748
 <u>U.S. Department of Transportation</u>		
Passed-Through State Transportation Cabinet:		
Transportation Enhancement Program (CFDA #20.205)	C-1067059	227,000
 <u>U. S. Federal Emergency Management Agency</u>		
Passed-Through State Department of Military Affairs:		
Disaster and Emergency Assistance Grants- Coordinator Salary (CFDA #83.503)	N/A	2,270
 <u>U.S. Department of Labor</u>		
Passed-Through State- Green River Area Development District:		
Workforce Investment Act (CFDA #17.259)	N/A	9,028

MCLEAN COUNTY
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 For The Fiscal Year Ended June 30, 2002
 (Continued)

Federal Grantor Program Title <u>Grant Name (CFDA #)</u>	<u>Pass-Through Grantor's Number</u>	<u>Expenditures</u>
<u>U.S. Department of Education</u>		
Passed-Through State- Department for Adult Education and Literacy: Adult Education Grant (CFDA #84.002)	N/A	\$ 1,512
<u>U.S. Department of Health and Human Services</u>		
Passed-Through State-Cabinet for Health Services: Title III Senior Services Grant (CFDA #93.044)	N/A	12,066
Passed-Through State-Cabinet for Health Services: Title III Senior Services Grant (CFDA #93.045)	N/A	<u>3,040</u>
Total Expenditures of Federal Awards		<u>\$ 534,664</u>

MCLEAN COUNTY
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For The Fiscal Year Ended June 30, 2002

Note 1 - Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of McLean County, Kentucky and is presented on a modified cash basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations.

CERTIFICATION OF COMPLIANCE -
LOCAL GOVERNMENT ECONOMIC ASSISTANCE AND DEVELOPMENT PROGRAMS

MCLEAN COUNTY FISCAL COURT

For The Fiscal Year Ended
June 30, 2002

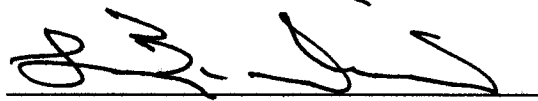
CERTIFICATION OF COMPLIANCE

LOCAL GOVERNMENT ECONOMIC ASSISTANCE AND DEVELOPMENT PROGRAMS

McLEAN COUNTY FISCAL COURT

For The Fiscal Year Ended June 30, 2002

The McLean County Fiscal Court hereby certifies that assistance received from the Local Government Economic Development Program and Local Government Economic Assistance Program was expended for the purpose intended as dictated by the applicable Kentucky Revised Statutes.



Name

County Judge/Executive



Name

County Treasurer